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**RECEIVED**

June 10, 2009

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**MARYLAND HEALTH  
CARE COMMISSION**

Mr. Paul E. Parker  
Chief, Certificate of Need  
Maryland Health Care Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215

BY HAND

CHS-2586

Re: Rivermont Nursing & Rehabilitation Center; D.N. No. 08 -15-2228

Dear Mr. Parker:

I attach Additional Information and Affirmations in response to your letter dated May 20, 2009 and received May 27, 2009 in connection with the Modification filed May 1, 2009 in the above matter.

Please do not hesitate to contact me if you have any questions or require additional information.

Very truly yours,



JAMES A. FORSYTH

Attorney for Rivermont Nursing & Rehabilitation Center

cc: George Child, President, Adventist Senior Living Services, Inc.  
Jim "Piet" Pietrzak, President, Smith/Packett Med-Com, LLC  
Silvana Accame Dill, Adventist Senior Living Services, Inc.  
James S. Litsinger, MBA, CPA, CFO, Adventist Senior Living Services, Inc.  
Christopher C. Hall, Senior Director Strategic Planning, Adventist HealthCare, Inc.  
Michael J. Snarski, CPA

RIVERMONT NURSING & REHABILITATION CENTER

(D.N. 08 – 15 – 2228)

ADDITIONAL INFORMATION RESPONSES

- Un-numbered Question, second paragraph: *Maryland Montgomery Health Investors, L.L.C. is described as having two members: Smith/Packett Med-Com, L.L.C. and Adventist Senior Living Services, Inc. What is the percentage of ownership of Maryland Montgomery Health Investors, L.L.C. by these two members?*

**RESPONSE:** The members and ownership interests in Maryland Montgomery Health Investors, L.L.C. ("MMHI") are as previously reported in the modified Letter of Intent dated February 7, 2008: Springbrook Adventist Nursing & Rehabilitation Center, Inc. @ 49%; and 51% for the Smith/Packett Med Com, LLC individuals as follows: James R. Smith - 33%; James R. Pietrzak - 18%. The characterization of the members of MMHI on p. 1 of the Modification Request was a 'short hand' drafting error.

1. *In Project Budget estimate, page D1, please specify the interest rate assumption and construction time estimate used in calculating the capitalized construction interest figure.*

**RESPONSE:** (James S. Litsinger, MBA, CPA, Chief Financial Officer, Adventist Senior Living Services, Inc.)

The interest rate used for calculating construction period interest is 7%. The construction time estimate is 18 months, with construction draws scheduled to begin in month 4 and additional draws monthly through the construction period.

2. *Medicare is projected to account for 36% of total patient days in Year 1 of operation and 29% in Year 2. In 2007, one of the 32 reporting CCFs in Montgomery County reported a proportion of Medicare days that exceeded 30% of total days (Brighton Gardens – 30.7%, a facility with only 41 beds) and one other facility reported a proportion of Medicare days that exceeded 29% of total days (Manor Care-Potomac – 29.6%). Why are the Rivermont projections a realistic expectation with respect to payor mix? Please provide detailed information on the experience of the two members of Maryland Montgomery Health Investors, L.L.C., Smith/Packett Med-Com, L.L.C. and Adventist Senior Living Services, Inc., in serving Medicare patients in the nursing homes they have operated and outline how this experience supports the ability of the proposed Rivermont facility to achieve the high levels of Medicare census projected.*

**RESPONSE:** (James S. Litsinger, MBA, CPA, Chief Financial Officer, Adventist Senior Living Services, Inc.)

In the first year of operation the majority of the residents will be direct admits from area hospitals (See discussion below). These will be primarily Medicare patients hence resulting in a higher utilization of Medicare during the ramp-up phase. The Applicant believes that the 29% mix is realistic in Year 2 for several reasons. First, Adventist-operated facilities with larger rehab units have previously experienced relatively high Medicare patient utilization even in areas well-served by existing facilities. In 2008, two Adventist - operated facilities with larger dedicated rehab programs (total = 54 beds at Shady Grove and 45 beds at Glade Valley) had Medicare utilization in excess of 26%. Additionally, a third facility (Sligo Creek) with a larger 51-bed rehab unit has had Medicare average utilization of 23% over the past 2 years. The Glade Valley facility averaged 30 patients in 2008 and 27 in 2007 and the Shady Grove facility averaged 28 patients in 2008 & 2007. In 2009, the Shady Grove facility has averaged 33 Medicare patients and Glade Valley 24 Medicare patients through April 2009.

Rivermont believes its Medicare utilization will be higher because its proposed location has shown and will continue to show substantial growth in the over - 65 population. As mentioned in the CON Modification, the census data does not take into account the estimations accounted for in master plans. The master plans for the areas within Rivermont's Expected Service Area (ESA) call for a much larger population. Since there are no existing facilities within the contiguous zip codes of Rivermont's location, most of the people needing skilled nursing facility services in that ESA would most likely be admitted to Rivermont.

In addition, Rivermont includes a dedicated 42 - bed rehabilitation unit with a projected Medicare volume of 33 patients. Based on historical operating history, the demographic data, the lack of a facility in its service area, and its experience operating dedicated rehab units, the Applicant believes it will achieve the projected Medicare utilization.

Further, Medicare referrals will come from Shady Grove Adventist Hospital and Frederick Memorial Hospital with which the Applicant has an existing relationship. Frederick Memorial is also a resource for this area of Montgomery County which abuts Frederick County. The applicant also anticipates that there could be some referrals from Carroll County Hospital and Montgomery General Hospital as well.

In addition, Rivermont's proposed location is adjacent to the proposed Adventist hospital in Clarksburg (Clarksburg Community Hospital). If that hospital is approved, it would serve as yet another source of Medicare referrals for Rivermont. Likewise, if a proposed new hospital were to be built in Germantown, Medicare referrals would also be expected to come from there as well since Rivermont will be serving the same underserved Upper Montgomery County area. In any event, the Applicant believes currently existing referral sources are sufficient to enable it to attain its projected Medicare utilization level.

Regarding Smith/Packett Med-Com, LLC, the firm does not operate any nursing homes in Maryland and any out-of-state experience would not reflect the particular conditions present in the Montgomery County market. In fact, Smith / Packett Med-Com, LLC is not an operator of facilities, but is rather, a developer. As noted previously in the Application, Adventist Senior Living Services, Inc. ("ASLS") will be the operator of Rivermont. In this regard, the projected payer mix at Rivermont has been developed based upon ASLS's experience and familiarity with Montgomery County and Rivermont's proposed market.

3. *In reference to Table 6, Manpower Information, page E14, the Support Staff FTEs total 33.66 rather than the 28.66 shown. Please correct and resubmit this page.*

**RESPONSE:** (Michael J. Snarski, CPA)

Staff is correct that Table 6, Manpower Information, p. E14 contains an error. Correct support staff FTEs are 33.66 not 28.66 as shown. Please see corrected page E14, at APX 1.

4. *The chart for "Scheduled Staff For Typical Work Week," page E17, identifies a single FTE as "Other" in the 42-bed unit (Unit #1). It appears that you may be indicating that the "Other" is a "Unit Secretary." However, it appears that you identified this position as a separate single FTE. Please clarify this chart and, if the "Other" is not being specified as a Unit Secretary, please specify what position is represented by "Other".*

**RESPONSE:** (Michael J. Snarski, CPA)

The "OTHER" staffing is "specified" on the following line of the chart as a Unit Secretary and is intended to be accounted for as 1.0 FTE on day shift. The Applicant apologizes for the confusion caused by duplicating the 1.0 FTE entry on the specification line.

5. *In the construction cost analysis, page F1:*
  - a. *The Marshall Valuation Service ("MVS") provides guidelines for estimating building costs only, not equipment costs. Therefore, your analysis of the reasonableness of the construction cost estimates for the proposed project, if using MVS guidelines, should not include equipment costs unless they are directly related to complying with building codes. Revise the construction cost analysis accordingly;*
  - b. *The type of construction is classified as Class A. In the original CON application, the type of construction was Class C. Please address why this change in the type of construction was necessary in this modified application;*

- c. *Please specifically identify those site preparation costs which Rivermont is classifying as “extraordinary costs” appropriately deducted from the cost of the project; and*
- d. *Please provide more information on the deduction for “Additional General Conditions for Site Work Duration.” Specifically define this item and explain why it is an extraordinary cost appropriately deducted from the cost of the project*

**RESPONSE:** (Christopher C. Hall, Senior Director Strategic Planning, Adventist HealthCare, Inc.)

- a. Using (7) under “What they do not contain” within Section 1, page 3, of the January 2008 Marshall Valuation Service document, kitchen equipment is listed as an excluded item. The \$840,000 includes kitchen equipment and emergency generators (required by code).
- b. The original facility was designed as a multi story wood structure. The current facility is designed as a multistory facility using non-combustible materials due to the need for multiple stories and the non-ambulatory nature of the proposed residents. Fire codes require us to design the facility to “defend in place” rather than evacuate quickly. This is more easily achieved with a non-combustible structure. In addition, the facility will have a significantly longer life cycle which a wood structure cannot provide. Rivermont will be developed in a similar manner to the Fairland Nursing and Rehabilitation Center, therefore providing economies of scale in the overall cost.
- c. By the Marshall Valuation Service guidelines, anything required beyond the basic site preparation and excavation for the foundations is extraordinary cost. On this site we have blasting, rock removal, retaining walls, storm water retention and treatment and significant landscaping. Below is a detailed list of the extraordinary items:



*Explanation of Extraordinary Costs*

To better explain the extraordinary costs, Rivermont offers the following expanded explanation of the extraordinary costs:

Deforestation - Tree Clearing: The site needs to be cleared and grubbed before any development can occur.

Site Grading: Due to the steepness of the existing site, significant amounts of fill and earthwork are needed to establish the building pads.

Site Retaining Walls: Significant retaining walls of extraordinary height are needed on site to establish the building pads due to the steep site topography and adjacency to roads.

Storm Drainage: Storm drain infrastructure must be implemented on site as the existing site does not contain storm drainage.

Wetlands & Tree Save Protection: Due to various environmental buffers on site and the presence of wetlands and designated tree save areas to fulfill county requirements, measures must be taken to protect these areas during construction.

Sediment Control & Stabilization: Significant measures are needed due to the large volume of earthwork and site work being performed.

Jurisdictional Hook-up Fees and Zoning Fees: Tap fees for installation of valve and meter vaults for domestic and fire water supply, gas, and fees for site electrical, telecommunications, and transformers.

Way finding Signage: Costs for sufficient site way finding signage to direct traffic on the new campus.

Landscaping: Yard improvements costs are for grass, shrubs, plantings and trees. The county requires significant landscape screening for parking and building service areas.

Canopies: Canopies at the Main Entry and at the rear are sized larger than needed for ease of drop-off and functionality for older and disabled patients and residents.

Electrical Service: This facility will require redundant electrical services to fill the emergency power requirements in the event of a power failure or routine service. Not having an interruption in service will also improve patient safety and maintain facility operations.

LEED Certification: The building is required to achieve a LEED certification per Montgomery County standards for new facilities.

Equipment: There is a large central kitchen and large commercial laundry area required for operation of the facility along with an Energy Recovery Unit required for the HVAC system to gain LEED points.

d. Due to the complex and lengthy site work that must be done to prepare the building pad, we have estimated about two months of site supervision and general requirements needed prior to the actual construction of the facility. Although this easily could have been included in the site costs, the Applicant's building consultant determined that it really is a separate issue.



MARYLAND MONTGOMERY HEALTH INVESTORS, LLC

124 COMPREHENSIVE BEDS

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TABLE 6. MANPOWER INFORMATION (SUPPLEMENTAL)

(INSTRUCTIONS: List by service the staffing changes (specifying additions and/or deletions and distinguishing between employee and contractual services) required by this project.)

Position Title	Current No. FTEs	Changes in FTEs (+/-)	Average Salary	Employee/ Contractual	TOTAL COST
THE FOLLOWING POSITIONS WILL ALL BE EMPLOYEES					
SUPPORT					
Social Service Director		1.00	52,000		52,000
Social Service Assistant		1.00	30,000		30,000
Activities Director		1.00	52,000		52,000
Activities Assistant		1.00	26,000		26,000
Food Service Manager		1.00	55,000		55,000
Cooks		3.28	28,600		93,808
Cooks Helpers/Dietary Staff		7.88	23,400		184,392
Laundry Assistants		4.20	23,400		98,280
Housekeep. Super.		1.00	33,000		33,000
Housekeepers		8.40	24,960		209,664
Maintenance Supervisor		1.00	52,000		52,000
Maintenance Assistant		1.40	30,680		42,952
Security		0.00	20,800		0
Medical Records		1.00	30,000		30,000
Inservice Director		0.50	72,000		36,000
TOTALS		33.66			\$995,096

(INSTRUCTION: Indicate method of calculating benefits percentage):

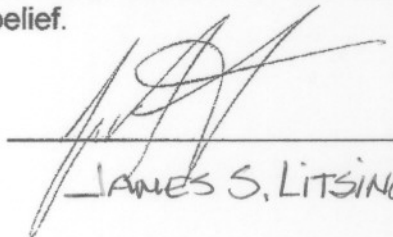
Fringe benefits are calculated at 29 % of gross salaries.

APX 1  
CORRECTED E14

**AFFIRMATION**

I hereby declare and affirm under the penalties of perjury that the facts stated in the completeness review responses and related attachments are true and correct to the best of my knowledge, information and belief.

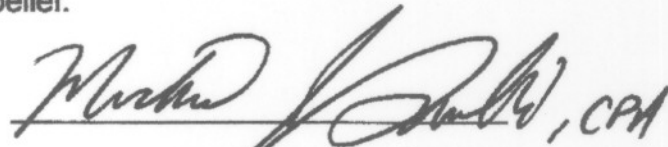
Date: June 9, 2009

  
\_\_\_\_\_  
JAMES S. LITSINGER, CFO

**AFFIRMATION**

I hereby declare and affirm under the penalties of perjury that the facts stated in the completeness review responses and related attachments are true and correct to the best of my knowledge, information and belief.

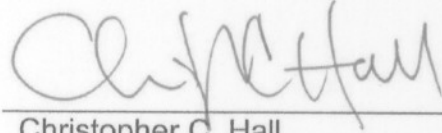
Date: June / , 2009

  
MICHAEL J. SNARSKI, CPA

I HEREBY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY  
THAT THE FACTS STATED IN THIS APPLICATION AND ITS ATTACHMENT  
ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE,  
INFORMATION, AND BELIEF.

June 8, 2009

\_\_\_\_\_  
Date

A handwritten signature in black ink, appearing to read "Christopher C. Hall", written over a horizontal line.

\_\_\_\_\_  
Christopher C. Hall  
Senior Director Strategic Planning